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FISCAL IMPACT STATEMENT

LS 6546

BILL NUMBER: SB 142

NOTE PREPARED: Dec 19, 2011

BILL AMENDED:

SUBJECT: Property Tax Issues.

FIRST AUTHOR: Sen. Kenley

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: *DLGF Assessment Rules:* This bill provides that the Department of Local Government Finance (DLGF) shall (rather than may) adopt rules for assessors to use in gathering and processing information for the application of the income capitalization and gross rent multiplier assessment methods. It provides that the rules adopted by the DLGF must specify: (1) the information that must be provided by a taxpayer that wishes to have or is required to have the taxpayer's property assessed through use of the income capitalization method or the gross rent multiplier method; and (2) the deadline for a taxpayer to provide the information.

Appeal Filing Fee: The bill provides that a taxpayer filing a notice requesting a county property tax assessment board of appeals (PTABOA) to review an assessment or deduction must pay to the county or township official with whom the notice is filed a filing fee of \$50. It specifies that a taxpayer is not required to pay the filing fee if the review concerns the taxpayer's homestead and the taxpayer will represent himself or herself before the PTABOA. The bill provides that the filing fee shall be refunded to the taxpayer if: (1) the taxpayer and the assessing official resolve the issues in the review; (2) the PTABOA gives notice of its determination; or (3) the maximum time elapses for the PTABOA to hold a hearing or to give notice of its determination and the taxpayer initiates a proceeding for review before the Indiana Board of Tax Review (IBTR).

Power of Attorney: This bill specifies that a power of attorney that is executed by a taxpayer and is filed by a tax representative with the PTABOA or the IBTR in a proceeding under the property tax assessment appeals statutes or as part of a notice or petition requesting a review of an assessment is not valid unless the power of attorney has a duration of not more than two years.

Interest on Refunds: The bill specifies that if a taxpayer is entitled to a property tax refund or credit because an assessment is decreased after a determination of the IBTR or the Indiana Tax Court (Tax Court), the IBTR or the Tax Court may waive any interest that the taxpayer would otherwise be entitled to receive, if: (1) during the proceedings of the IBTR or the Tax Court the taxpayer introduces evidence that had not been introduced at a hearing before the PTABOA; and (2) the determination of the IBTR or the Tax Court is based in whole or in part on that evidence.

Effective Date: July 1, 2012.

Explanation of State Expenditures: *DLGF Assessment Rules:* Under current law, the true tax value of residential real property with more than 4 units must be the lowest value determined under three approaches: (1) Reproduction cost less depreciation; (2) Comparative sales; and (3) Capitalization of income. For real properties with 4 or fewer units and mobile home rentals, the gross rent multiplier method is the preferred assessment method. Currently, the DLGF *may* adopt rules for assessors to use in gathering and processing information for the income capitalization and gross rent multiplier methods.

Under this proposal, the DLGF would be *required* to adopt the rules. The rules would have to specify both the information that a taxpayer would have to furnish to the local assessor and the deadline for providing the information.

Explanation of State Revenues:

Explanation of Local Expenditures: *Interest on Refunds:* Under current law, a property taxpayer that is entitled to a refund or a credit because of an assessment reduction is entitled to interest at an annual rate of 4%.

Under this bill, the IBTR or Tax Court may waive interest if an IBTR or Tax Court determination to reduce an assessment is based on new evidence that was not introduced at the PTABOA hearing. This provision could lead to a reduction in local expenses for interest on refunds. Property tax refunds, credits, and interest actually reduce current year property tax revenue. So, if interest payments are reduced, then current year property tax revenue may not be reduced as much.

Explanation of Local Revenues: *Appeal Filing Fee:* Under current law, property taxpayers obtain a PTABOA review of a local assessor's action regarding real or personal property assessments and certain property tax deductions by filing a notice with the local assessor.

Beginning July 1, 2012, under this proposal, the taxpayer would be required to pay a \$50 fee to the assessor when filing an appeal. The fee would not be required if (1) the appeal involves homestead property and (2) the taxpayer will represent himself or herself before the PTABOA. Additionally, the assessor would refund a fee that is paid if:

- (1) The parties agree on a resolution;
- (2) The PTABOA makes a determination; or
- (3) The PTABOA fails to either hold a timely hearing or issue a timely determination, and the taxpayer appeals to the IBTR.

This provision could lead to a small increase in county revenue for appeals that are filed but later dropped by the taxpayer before resolution. This provision could also result in a reduction of the number of appeals that are filed.

State Agencies Affected: Department of Local Government Finance; Indiana Board of Tax Review; Indiana Tax Court.

Local Agencies Affected: Local assessors; County property tax assessment boards of appeal.

Information Sources:

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